



ILLINOIS STATE TREASURER

MICHAEL W. FRERICHS

WHAT'S NEW

TREASURER'S NOTE



Fighting for Families

It sounds like a John Grisham novel.

Life insurance companies withholding death benefits for 30, 40, even 50 years after a loved one has passed away.

Why? It is part of the business model. They use the unpaid life insurance to boost their profits.

This must end.

As Illinois State Treasurer, I reunite individuals with unclaimed property, including unpaid life insurance. We audit life insurance companies, and in the past two years have found \$195 million that should have been paid to grieving families.

Today, we have an opportunity to force these insurance companies to do the right thing.

The Uniform Law Commission is updating the 1995 Uniform Unclaimed Property Act. This model legislation would encourage consistency in unclaimed property laws across our country.

Some interests want to step backward. For example, three insurance companies that are part of Kemper Corporation are suing my office to prevent a review of their life insurance payment records.

This is outrageous and hurts families when they most need help.

Insurance companies must open their books. Compare the names of the insured against data on the recently deceased. With inactive accounts, insurance companies shouldn't wait until a person's 99th birthday to make sure everyone is alive and well.

As Illinois Treasurer, I'm the state's Chief Investment Officer. I also protect consumers, including families who have lost a loved one. Please join me in telling your elected officials that it's long past time to require life insurance companies to do the right thing.

Sincerely,
Michael W. Frerichs

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TREASURER FRERICHS REQUESTS AUDIT TO ENSURE PAYMENT OF LIFE INSURANCE POLICIES; KEMPER COMPANIES SUE

Three Kemper insurance companies sued Treasurer Frerichs to block an audit that would identify life insurance policies belonging to people who have died but the benefits have not been paid to their loved ones.

Since 2013, 22 insurance companies under audit by Illinois have complied with requests to review records. The audits have identified more than \$195 million in previously unpaid life insurance benefits and annuities. The insurance companies and Frerichs' office are working together to contact beneficiaries so they can receive the money and fulfill the wishes of the deceased.

According to the lawsuit, Kemper contends the three companies are not required to provide the Treasurer access to their records so that previously unpaid benefits can be identified. Further, Kemper contends it is under no obligation to consider death benefits as unclaimed unless it has either received a payment request and proof of death from a beneficiary; or the insured, if still living, would be at least 99 years old. This would allow Kemper to disregard compelling evidence that an individual has been dead for decades.

United Insurance Company of America in Illinois, Reserve National Insurance Company in Oklahoma and The Reliable Life Insurance Company of Missouri each are part of the Kemper family of companies. Collectively, the companies filed the lawsuit in Sangamon County, case no. 2015MR998. The three companies claim 160,000 active life insurance policies in Illinois.

Part of the Treasurer's role is to return unclaimed property to the rightful owner or heir. This includes life insurance proceeds as well as lost bank accounts and forgotten stock investments.

Frerichs has requested Attorney General Lisa Madigan to represent the state's interests in the Kemper lawsuit.



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TREASURER FRERICHS JOINS AARP AND COMMUNITY ORGANIZATIONS TO URGE GOVERNOR RAUNER, ILLINOIS GENERAL ASSEMBLY TO ENACT FY 16 BUDGET

Treasurer Frerichs toured Senior Services of Central Illinois in Springfield and Senior Services Plus in Alton this month to help shed a light on the thousands of older adults at risk of, or already losing, in-home services due to the current budget impasse.

These organizations are among the many that have recently been forced to cut services and staff due to the lack of a state budget.

"The financial crisis in Illinois is hurting our state's most vulnerable, including Illinois seniors," Treasurer Frerichs said. "It is vital that the Governor and General Assembly put aside their differences to end this budget impasse and alleviate the uncertainty for the many families who rely on state funding."

RATING AGENCY UPGRADES ILLINOIS 529 RANKING

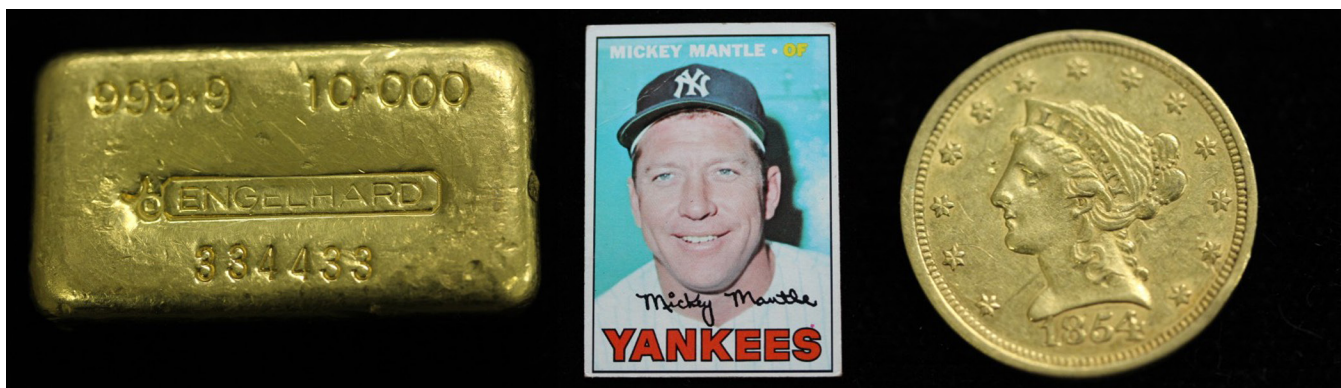
Illinois' Bright Directions College Savings Program is among the best in the nation, according to Morningstar. Morningstar, which evaluates and rates college savings plans, recently released its results rating Bright Directions a "Silver-Rated Fund". According to Morningstar, Bright Directions is now one of the two highest rated advisor-sold plans in the country.

According to Morningstar, Illinois' advisor-sold Bright Directions College Savings Program was upgraded from bronze to silver for a number of reasons, including cutting fees significantly in the process of renegotiating a contract with program manager Union Bank and Trust.

Earlier this month, Treasurer Frerichs announced the elimination of the Bright Directions \$10 set-up fee and \$3 quarterly maintenance fee to ensure more investment dollars will go to college savings. Management fees also will be slashed by 43 percent. More than 104,000 accounts will benefit from the new terms, which take effect Nov. 15.

In addition to Bright Directions, the Treasurer's Office also manages the Bright Start College Savings Program. Both plans are designed as "qualified tuition programs" under Section 529 of the Internal Revenue Code. They are different than pre-paid tuition plans. Currently, more than 400,000 residents hold a Bright Directions or Bright Start account.

For more information about the Treasurer's Office 529 College Savings programs, visit www.illinoistreasurer.gov.



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NEXT UNCLAIMED PROPERTY AUCTION BEGINS NOVEMBER 30

The next Unclaimed Property auction is scheduled for Monday, November 30 through Friday, December 4. This auction represents 8,254 individual items broken down into 100 lots with an appraised value of over \$70,000.

During calendar year 2015, we have held five auctions generating over \$319,000 in proceeds for property holders. For more information about the next unclaimed property auction, visit www.illinoistreasurer.gov.

QUARTERLY EARNINGS REPORT FIRST QUARTER, FY 2016

October 30, 2015

The Office of the Illinois State Treasurer is dedicated to protecting all funds under its control, ensuring the liquidity of all investments, and consistently producing earnings at or above industry standards.

The issuance of Quarterly Earnings Reports is integral in meeting the Treasurer's underlying objectives to maintain transparency, efficiency, and preservation of public trust.

The following summarizes investment earnings activities for the first quarter of fiscal year 2016 (July 1, 2015, to September 30, 2015):

- **State Portfolio**
 - o Quarterly investment earnings totaled approximately \$12.2 million.
 - o Assets at the end of the quarter were approximately \$11.1 billion. That is down approximately \$372.8 million compared to the end of the previous quarter. The relative decrease is attributable to the defensive posture currently being maintained to ensure sufficient liquidity in light of the ongoing state budget impasse and looming fiscal needs. The State Portfolio still exceeds established benchmarks.
- **The Illinois Funds**
 - o Quarterly investment earnings totaled \$661,156.
 - o Market value at the end of the quarter was approximately \$5.8 billion. That is up approximately \$588.4 million compared to the end of the prior quarter. The Illinois Funds continues to exceed established benchmarks.
- **College Savings Program**
 - o Total assets at the end of the quarter were approximately \$7.2 billion. This is down approximately \$377.2 million compared to the end of the prior quarter.

Table 1 – Asset Totals
(Numbers rounded)

Program Area	Asset Total (as of June 30, 2015)	Asset Total (as of Sept. 30, 2015)
State Portfolio	\$11.5 billion	\$11.1 billion
The Illinois Funds	\$5.2 billion	\$5.8 billion
College Savings Program	\$7.6 billion	\$7.2 billion
TOTAL	\$24.3 billion	\$24.1 billion

Table 2 – Investment Earnings Totals
(Numbers rounded)

Program Area	Investment Earnings Total (Q4 FY 2015)	Investment Earnings Total (Q1 FY 2016)
State Portfolio	\$13.4 million	\$12.2 million
The Illinois Funds	\$354,783	\$661,156
TOTAL	\$13.8 million	\$12.9 million

Additional Revenue Earnings

- Earnings through additional channels (i.e. Estate Tax, Circuit Court, Unclaimed Property, fees, etc.) totaled \$140.2 million for the quarter.

Participation of Minority, Women, Veteran, and Disabled-Owned Firms

- The Treasurer's Office continues to focus on building the participation of minority, women, veteran, and disabled (MWVD) investment firms in the Office's investment activities.
- During this reporting period, \$2.8 billion in assets were brokered through MWVD firms.
- The Office currently has 9 MWVD firms included on its list of Approved Broker/Dealers, which represents 22.5% of the total.